

## 2001 Solar Energy System Credit

3508

## Attach to your California tax return.

Name(s) as shown on return

☐ Social security ☐ Corporation number ☐ FEIN

Parcel or address where system is located

PMB no.

Secretary of State file number

City or town

State

ZIP Code

## Part I

If you answer "No" to any of the following seven questions, or if you are engaged in a line of business described in Sector 22 of the North American Industry Classification System (NAICS) Manual, stop here. You do not qualify for the Solar Energy System Credit. See General Information, Qualifications.

- 1 Did you purchase and install a solar energy system in 2001 in California? ☐ Yes ☐ No
- 2 Is the solar energy system either a photovoltaic or wind-driven system? ☐ Yes ☐ No
- 3 Is the rated peak generating capacity of the solar energy system 200,000 watts (200 kilowatts) or less? ☐ Yes ☐ No
- 4 Is the solar energy system used for the individual function of generating electricity? ☐ Yes ☐ No
- 5 Is the solar energy system primarily used to meet the taxpayer's energy needs? ☐ Yes ☐ No
- 6 Is the solar energy system certified by the State Energy Resources Conservation and Development Commission? ☐ Yes ☐ No
- 7 Does the solar energy system come with a five-year warranty that protects against breakdown or undue degradation of electricity generation? ☐ Yes ☐ No

## Part II

- 1 Enter the purchase and installation cost of the solar energy system ..... 1 \_\_\_\_\_
- 2 Did you receive or have you been approved to receive any municipal, state, or federal financial incentives to offset the purchase or installation costs of the solar energy system? ☐ Yes ☐ No
- 3 If yes, enter the value of the financial incentives received or approved to be received. If no, enter -0- ..... 3 \_\_\_\_\_
- 4 Subtract line 3 from line 1. .... 4 \_\_\_\_\_
- 5 Multiply the amount on line 4 by 15% (.15) ..... 5 \_\_\_\_\_

## Part III

- 1 Enter the rated peak generating capacity, in watts, of the solar energy system. Cannot exceed 200,000 watts (200 kilowatts) ..... 1 \_\_\_\_\_
- 2 Applicable dollar amount ..... 2 4.50
- 3 Multiply the amount on line 1 by the amount on line 2 ..... 3 \_\_\_\_\_

## Part IV

- 1 Enter the lesser of Part II, line 5 or Part III, line 3. This is your available credit. .... 1 \_\_\_\_\_
- 2 Enter the amount of credit claimed on your current tax return. See instructions. .... 2 \_\_\_\_\_
- Caution:** This amount may be less than the amount on line 1 if your credit is greater than your tax liability.
- 3 Credit carryover available for future years. Subtract line 2 from line 1 ..... 3 \_\_\_\_\_

## General Information

## What's New

For taxable years beginning on or after January 1, 2001, the California Personal Income Tax Law and the Corporation Tax Law allow a nonrefundable Solar Energy System Credit for certain approved photovoltaic or wind-driven solar energy systems. The credit can be used by taxpayers against the net tax in an amount equal to the lesser of 15% (.15) of the cost paid or incurred for the purchase and installation of a solar energy system after deducting the value of any municipal, state, or federal sponsored financial incentives, or the applicable dollar amount per rated watt of the solar energy system.

**Note:** For taxable years beginning on or after January 1, 2004, and before January 1, 2006, the credit percentage will change to 7.5%.

## Purpose

Use California form FTB 3508 to figure the Solar Energy System Credit. S corporations, estates or trusts, partnerships, and Limited Liability Companies (LLCs) classified as partnerships should complete form FTB 3508 to figure the amount of credit to pass through shareholders, beneficiaries, partners, or members. Attach this form to Form 100S, Form 541, Form 565, or Form 568. Show the pass-through credit for each shareholder, beneficiary, partner, or member on Schedule K-1 (100S, 541, 565, or 568).

## Description

A Solar Energy System Credit will be allowed against the net tax in an amount equal to 15% of the cost paid or incurred after deducting the value of any municipal, state, or federal incentive for the purchase and installation of a solar energy system, or the applicable dollar amount of \$4.50 per rated watt of the system. The lesser of the two is the allowable credit.

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## Qualifications

To qualify for this credit, you must have purchased and installed a solar energy system on your property in California during the 2001 taxable year. The solar energy system must generate electricity by means of a photovoltaic or wind-driven device. The solar energy system must have a rated peak generating capacity of 200,000 watts (200 kilowatts) or less. The solar energy system must be used for the individual function of generating electricity and the electricity generated must be used primarily to meet the taxpayer's own energy needs.

The solar energy system must be certified by the State Energy Resources Conservation and Development Commission. The solar energy system must be installed with a five-year warranty to protect against breakdown or undue degradation.

The credit may be allowed for one solar energy system per each separate legal parcel of property, or per each address of the taxpayer in California. If you have more than one parcel or address and you are claiming more than one Solar Energy System Credit, please complete a separate form FTB 3508 for each parcel or address. If you installed multiple solar energy systems on your property during the taxable year beginning on or after January 1, 2001, you may claim a Solar Energy System Credit for only one of these solar energy systems.

No credit is allowed to any taxpayer engaged in those lines of business described in Sector 22 of the North American Industry Classification System (NAICS) Manual published by the United States Office of Management and Budget, 1997 edition.

**General Assistance.** For more information about certified solar energy systems, contact the State Energy Resources Conservation and Development Commission at (800) 555-7794. Or, go to their Website at: [www.consumerenergycenter.org](http://www.consumerenergycenter.org)

**Note:** If a solar energy system is sold or removed from California within one year from the date it was placed in service, the amount of credit allowed for that system must be recaptured in the year the system was sold or removed.

**Record Keeping.** You must retain all documents pertaining to the purchase and installation of your solar energy system such as sales slips, invoices, receipts, cancelled checks or other proof of purchase and/or payment. You must also keep all certification information obtained from the State Energy Resources Conservation and Development Commission to document that you purchased a certified solar energy system.

Retain the copy of the five-year warranty that was provided to you by the seller or manufacturer of the system.

You must retain these documents and make them available to the Franchise Tax Board upon request.

## Limitations

S corporations may claim only 1/3 of the credit against the 1.5% entity-level tax (3.5% for financial S corporations). The remaining two-thirds must be disregarded and may not be used as carryover. In addition, S corporations may pass through 100% of the credit to their shareholders.

If a taxpayer owns an interest in a disregarded business entity (a single member limited liability company [SMLLC] not recognized by California for tax purposes that is treated as a sole proprietorship owned by an individual or a branch owned by a corporation), the credit amount received from the disregarded entity that can be utilized is limited to the difference between the taxpayer's regular tax figured with the income of the disregarded entity, and the taxpayers regular tax figured without the income of the disregarded entity. An SMLLC may be disregarded as an entity separate from its owner, and is subject to statutory provisions that recognize otherwise disregarded entities for

certain purposes including the tax and fee of an LLC, the return filing requirements of an LLC, and the credit limitations previously mentioned. Get Form 568, Limited Liability Company Return of Income, for more details.

**Note:** If the disregarded entity reports a loss, the taxpayer may not claim the credit this year but can carry over the credit amount received from the disregarded entity.

This credit cannot reduce the minimum franchise tax (corporations and S corporations), annual tax (limited partnerships, limited liability partnerships, LLCs), the alternative minimum tax (corporations, exempt organizations, individuals, and fiduciaries), the built-in gains tax (S corporations), or the excess net passive income tax (S corporations). This credit cannot reduce regular tax below TMT. See Schedule P (100, 100W, 540, 540NR, or 541) for more information.

No other credit or deduction may be allowed for any cost for which a credit is allowed under this section. In addition, the basis of the solar energy system must be reduced by the amount allowed as a credit.

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## Specific line Instructions

### Part I

If you answered "No" to any of the seven questions, you do not qualify for the Solar Energy System Credit. If you are engaged in a line of business described in Sector 22 of the NAICS Manual you do not qualify. See General Information, Qualifications.

### Part II

#### Line 1

Enter the cost paid or incurred including installation of the solar energy system.

#### Line 3

Enter the total amount or value of any municipal, state, or federal financial incentives that you received, or are approved to receive, to offset the purchase or installation costs of the solar energy system.

### Part III

Enter the rated peak generating capacity, in watts, for your solar energy system. You can obtain information on how to calculate the rated peak generating capacity from the State Energy Resources Conservation and Development Commission's Website. If you need help calculating the rated peak generating capacity of your solar energy system contact the State Energy Resources Conservation and Development Commission at (800) 555-7794. Or go to their Website at: [www.consumerenergycenter.org](http://www.consumerenergycenter.org)

### Part IV

#### Line 2

The amount of credit that you may claim on your tax return may be limited. Refer to the credit instructions in your tax booklet for more information. The instructions also explain how to claim this credit on your tax return. You must use credit code number **217** when you claim this credit.

#### Line 3

**Carryover:** If the available credit exceeds the current year tax liability, the unused credit may be carried over to the following year and the succeeding seven years if necessary, until the credit is exhausted. Apply the carryover to the earliest taxable years possible. This credit cannot be carried back or applied against a prior year's tax.